With a strong balance sheet and financial depth, **NEWALTA** is poised for **growth.**

REPORT

2000 financial report to shareholders

NEWALTA

Financial strength Our financial strength has been the foundation of our success. Appropriate capital investment programs, tight cost controls, prudent debt repayment, maximized return on existing assets, and the management of our balance sheet are just some of our financial imperatives. With a strong financial base, we are embarking on our next stage of growth. Newalta is up to the challenge. Our Company's network of 27 facilities throughout western Canada manages wastes generated in crude oil and natural gas production, and in automotive and industrial businesses. Using technology developed in-house, Newalta has the ability to recover resaleable products. Our quest is to continuously reach new markets with an increasing array of services and technologies. The ability to discover and market environmentally sound options for managing wastes will determine the leaders in this dynamic industry. Newalta is poised for growth.

RONALD L. SIFTON > Senior Vice President, Finance and Chief Financial Officer

Ron Sift


a solid
performance
RECORD

Talented people, a clear vision. Ready to enter **NEW MARKETS.**

Newalta's performance in 2000 was consistent with our expectations, improving throughout the year as commodity prices and our markets strengthened. High crude oil prices had a positive impact on our financial results, offsetting unseasonable weather that restricted our activities in northeastern British Columbia and northern Alberta.

All four service sectors achieved strong results as they focused on utilizing existing assets. Conventional Oilfield services increased its revenue and margins, buoyed by strong oil prices. Due to an early spring break-up and a wet summer, the sector's assets in the north experienced lower capacity utilization than expected, while facilities in the southern region operated at close to full capacity.

I N R E V I E W

After a difficult year in 1999, Heavy Oilfield services turned in a strong performance in 2000. The sector concentrated on increasing the collection of high oil content liquid waste to apply its unique expertise in the recovery of crude oil. The performance of the new Elk Point facility exceeded expectations for volumes recovered and quality.

Oil Recycling services focused on new commodity markets and product pricing in 2000. A new thermal cracking process for lubricating oil, called "Athena", was introduced at the Airdrie facility and proved more successful than anticipated.

Industrial services increased both revenue and margins again in 2000. After continuous growth in this reliable sector since 1997, our focus during 2000 was on improving market share and productivity.

Talented people

Our strong performance in 2000 is due to the capabilities of our people. By the end of the year, the size of our organization had increased to 405 people from 345 people a year earlier. We were fortunate to welcome many talented individuals who increase the depth and breadth of our experience and expertise.

Our employees share in Newalta's commitment to leadership in its industry. Our Company's reputation for honesty, integrity and professionalism has been earned by maintaining the highest standards of business ethics in all our actions, particularly with our employees. The commitment of every employee to follow the Company's code of business conduct is essential to our continued success.

HIGHLIGHTS OF THE YEAR

Revenue increased by $20 million, 33% higher than 1999.

Operating income rose to $10.1 million from $2.2 million in the prior year.

EBITDA increased 51% to $22.1 million from $14.6 million in the previous year.

The value we place on our employees is reflected in an array of Human Resources initiatives. For example, we are dedicated to selecting, recognizing, developing and retaining employees to ensure that their talent and leadership will enable the Company to achieve its growth objectives. We encourage employees, assisted by their supervisors, to take responsibility for identifying and satisfying personal learning and development needs. Newalta offers numerous training, development and educational opportunities.

In mentioning our employees, I would like to note the efforts of our managers who completed detailed evaluations and business plans for the Company's service sectors. A variety of topics analyzed included container services, network integration, rail transport, MIS, lab services and heavy oilfield expansion. These efforts have provided us with a solid planning tool to evaluate business risk and sensitivities, and to analyze the impact of key performance drivers. I believe the results and initiatives that have arisen from these evaluations will have a significant impact on the Company's profitability and competitive position over the next few years.

Outlook for 2001

We enter 2001 with significant capacity to grow revenue and improve profitability. Strong demand exists in all areas of our business along with attractive product pricing. Our priority in 2001 will be customer service. We will increase our customer service representatives, conduct customer surveys and continue to anticipate and meet the diverse needs of our customers. We will follow-up with a review of these initiatives in 2002.

The 2001 capital investment program will set the foundation for strong performance in 2002. The program calls for the upgrade and expansion of the Zama and Hughenden facilities and the construction of a new facility at Nanaimo on Vancouver Island. In addition, expansions will occur at the Airdrie waste lubricating oil process plant and the Elk Point facility.

Newalta has a strong organization in place to achieve exceptional results in 2001 and to realize the full potential of our unique position. We have carefully built a company with core competencies which will lead the industry across Canada.

We will continue to develop better ways to manage waste as we create new alternatives for our customers. With the continued support of our people, our Board of Directors and our shareholders, we are confident we will realize our ambitious objectives.

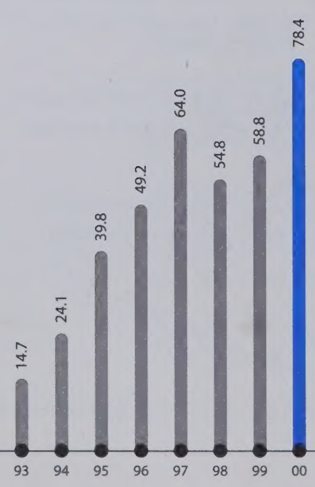
ALAN P. CADOTTE > **President and CEO** > **March 26, 2001**

Alan P. Cadotte

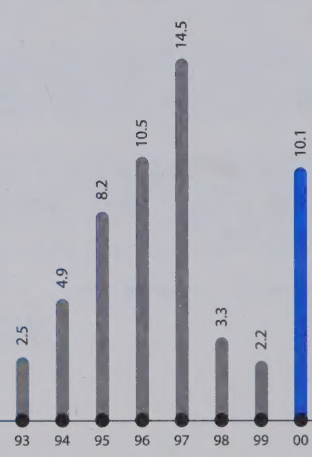
Cash flow of $17.9 million funded capital investments of $14.0 million and increased working capital.

The Drayton Valley and Raymond facilities were upgraded.

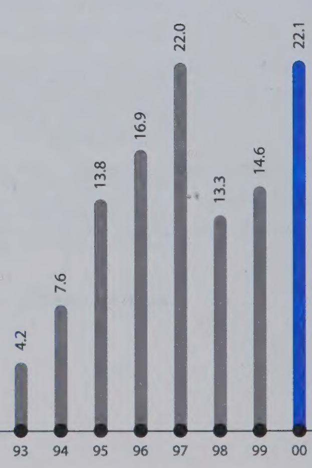
Achieved continued excellence in safety and environmental protection.



Revenue



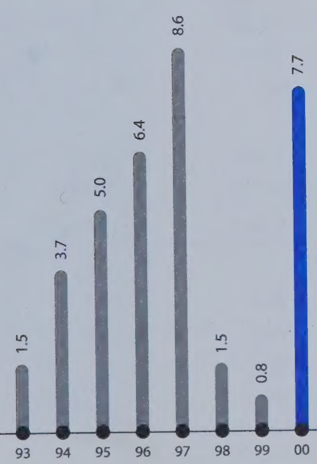
Operating Income



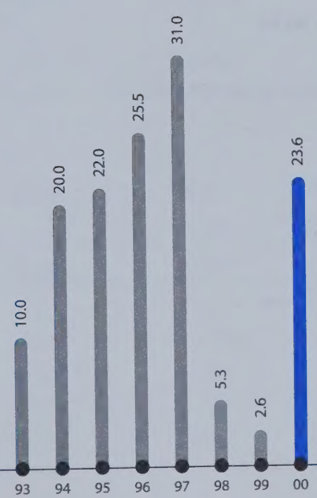
EBITDA

statistical
review

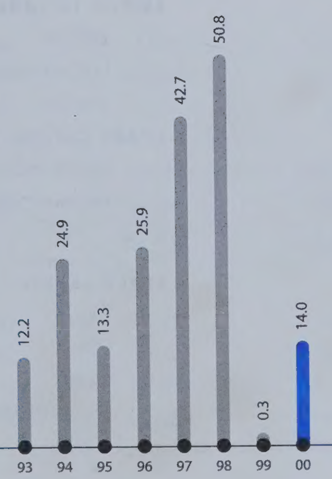
$ millions, except per share amounts



Net Earnings



Earnings Per Share (cents)



Net Capital Expenditures

	2000
REVENUE	
Conventional Oilfield services	33,964
Heavy Oilfield services	17,516
Oil Recyling services	10,521
Industrial services	16,420
Other	–
	78,421
EXPENSES	
Operating	54,314
General and administrative	1,997
Interest	3,753
Depreciation	8,254
	68,318
OPERATING INCOME	10,103
EARNINGS	7,718
EARNINGS PER SHARE *(cents)*	23.6
EBITDA	22,110
EBITDA TO LONG-TERM DEBT	
EBITDA	22,110
Long-term debt (including current portion)	51,680
Multiple	2.3
SHARE CAPITAL *(000s)*	
Issued and outstanding	32,798
Reserve for stock options	2,289
	35,087
STOCK TRADING DATA *($/share)*	
High	4.25
Low	2.40
Close	2.55
Shares traded *(000s)*	6,143

supplementary information

$000s, except share data

1999	1998	1997	1996	1995	1994	1993
25,140	26,894	26,407	22,045	19,377	15,329	7,532
10,434	7,018	18,209	13,523	9,934	7,098	3,930
8,989	8,845	8,851	8,573	7,748	1,004	
14,221	12,020	10,548	5,072	2,698		
–	–	–	–	–	715	3,232
58,784	54,777	64,015	49,213	39,757	24,146	14,694
43,069	40,411	40,166	31,098	24,746	15,509	9,586
1,115	1,099	1,835	1,240	1,227	1,040	859
4,393	3,766	1,132	1,258	1,552	524	229
8,048	6,205	6,375	5,082	4,046	2,156	1,541
56,625	51,481	49,508	38,678	31,571	19,229	12,215
2,159	3,296	14,507	10,535	8,186	4,917	2,479
773	1,479	8,586	6,352	5,011	3,665	1,533
2.6	5.3	31.0	25.5	22.0	20.0	10.0
14,600	13,267	22,014	16,875	13,784	7,597	4,249
14,600	13,267	22,014	16,875	13,784	7,597	4,249
54,740	71,800	29,701	21,210	18,000	16,049	5,743
3.7	5.4	1.3	1.3	1.3	2.1	1.4
32,590	28,231	28,065	26,301	23,346	23,101	18,091
2,503	2,388	1,726	1,698	1,625	1,455	1,437
35,093	30,619	29,791	27,999	24,971	24,556	19,528
5.00	9.50	10.55	8.00	2.80	2.45	2.20
2.00	2.75	6.60	2.65	1.65	1.40	0.89
3.65	3.00	8.85	7.90	2.65	1.95	1.75
8,650	9,579	10,691	10,982	8,170	8,220	7,447

A **strong** organization, improved balance sheet and market **FOCUS.**

RONALD L. SIFTON > Senior Vice President, Finance and Chief Financial Officer

Overview

In 2000, Newalta's financial results improved dramatically and were consistent with the Company's expectations. 2000 was characterized as a turnaround year as Newalta focused on utilizing its existing asset base and developing its markets to achieve strong financial performance.

Revenue and asset mix by service sector remained relatively unchanged from 1999. The revenue split between product sales and collection and processing also remained unchanged as commodity gains in product sales were matched by increased activity levels.

Management's discussion and ANALYSIS

An important priority during the year was the prudent management of the Company's balance sheet. Careful control was maintained over the capital program, primarily during the first six months of the year when the utilization of existing assets was emphasized. When the recovery in performance was confirmed by the second half of the year, the capital program was significantly increased to $14.0 million.

Cash flow, in addition to funding the capital program, was also applied to debt reduction and improving working capital. A $3.0 million reduction in debt combined with substantially improved performance resulted in the long-term debt/EBITDA multiple declining to 2.3.

A normal course issuer bid made on December 22, 2000 resulted in the purchase of 5,900 common shares by year end. In 2001, 865,600 shares were purchased at a total cost of $2.4 million. The average purchase price was $2.77 per share.

The Company enters 2001 with a strong organization, improved balance sheet, solid plans and a clear market focus. The return to historically normal weather conditions and ongoing strength in commodity prices are expected to further improve performance and provide the financial resources for Newalta to exploit new growth opportunities.

Segmented performance

Operations segment

The Operations segment recovers and resells crude oil from oilfield wastes, and collects waste lubricating oil in Alberta and Saskatchewan which is processed into resaleable products. The three service sectors comprising the Operations segment are Conventional Oilfield, Heavy Oilfield and Oil Recycling. The Operations segment has 82 percent of total assets and generates 79 percent of total revenue.

Crude oil and related commodity prices rose dramatically in 2000, continuing a trend that began in the second half of the previous year. As a result, shut-in reserves returned to production and high levels of drilling activity occurred in western Canada.

78% collection and processing

22% product sales

The record financial results of oil and gas producers were not duplicated by service providers who were impacted by warm weather in January, an early spring break-up, and a wet summer in the north. Newalta products have a delayed response to commodity price improvements, typically six to nine months. In 2000, margins generated by higher commodity prices were offset by weather conditions.

Conventional Oilfield

Revenue from Conventional Oilfield increased by $8.8 million, or 35 percent, in 2000. The Company operates 12 Conventional Oilfield facilities – six in southern Alberta and Saskatchewan, and six in northern Alberta and British Columbia. Revenue from the southern facilities was not significantly impacted by weather conditions, increasing 53 percent and operating at near full capacity. Revenue from the northern facilities, while improving 24 percent, was severely impacted by wet weather, operating at approximately two-thirds of capacity. A return to normal weather throughout 2001 would result in this sector reaching capacity. Total capital investments of $8.0 million are planned for Conventional Oilfield in 2001.

Heavy Oilfield

Revenue in the Heavy Oilfield sector improved $7.1 million, or 68 percent, in 2000. The strength in crude oil prices and related activity levels resulted in the four Heavy Oilfield facilities operating at full capacity. The Elk Point facility operated at 140 percent of capacity during the second half of 2000, with the excess shipped to the Hughenden facility at break-even economics. A 70 percent expansion of the Elk Point facility is planned for 2001. Total capital investments of $4.0 million are planned for Heavy Oilfield during 2001.

The cornerstone of the Company's unique business platform is the recovery and resale of products from waste. Since 1993, the Company has developed centrifuge technology to recover and resell crude oil from difficult-to-treat liquid oilfield waste streams. In 2000, Conventional and Heavy Oilfield recovered 623,000 barrels of crude oil, of which 206,000 barrels were sold for the Company's account at an average price of $35.37 per barrel. Recoveries in 1999 were 374,000 barrels, of which 182,000 barrels were sold for the Company's account at an average price of $23.75 per barrel. New pricing was introduced in July 2000 for Heavy Oilfield, and in January 2001 for Conventional Oilfield to promote recycling/recovery and take competitive advantage of the Company's centrifuge expertise. The Company's recently announced carbon dioxide emission credit program provides customers with an additional incentive to recycle.

Oil Recycling

Oil Recycling did not benefit from commodity price improvements until late in the year. Historically, product prices have demonstrated an approximate six to nine-month delay in relationship to commodity prices due to the nature and timing of supply commitments in product markets. In the fourth quarter, product pricing met the movement in commodity prices. Oil Recycling revenue increased $1.5 million, or 17 percent, over 1999. In 2000, Newalta collected 46.8 million litres of waste lubricating oil in western Canada compared to 45.4 million litres in 1999. Oil Recycling product sales were 68 percent of revenue in 2000 compared to 56 percent in 1999.

The Company produces various recycled products from waste lubricating oil, including burner fuel, fuel oil and drilling oil (diesel carrier fluid). The average price for these products was 19.2 cents per litre in 2000 compared to 14.5 cents per litre in 1999. Average prices entering 2001 for burner fuel and drilling oil are approximately 50 percent higher than the 2000 average price. The pricing for fuel oil in 2001 should mirror crude oil commodity prices. In 2001, the Company has plans to expand, by approximately 75 percent, the Athena (drilling oil) process at the Airdrie facility. Total capital investments of $3.5 million are planned for 2001.

Industrial segment

The Industrial segment collects automotive and industrial wastes in western Canada which are then processed into resaleable products. The Industrial segment, which has 15 percent of total assets and generates 21 percent of total revenue, also collects waste lubricating oil in British Columbia.

Revenue from Industrial increased $2.2 million, or 15 percent, over 1999. A focus on market development, price improvements and higher productivity led to the revenue gains. Growth in 2001 will come from continued gains in existing markets and the addition of new services such as industrial waste water and sludge processing. Total capital investments of $4.5 million are planned for 2001.

Results of operations

Operating income, earnings, cash flow and EBITDA improved dramatically in 2000, reflecting the recovery of the businesses. EBITDA as a percentage of revenue increased to 28.2 percent from 24.8 percent in 1999. EBITDA on a per share basis increased 50 percent to 67 cents per share from 45 cents per share in 1999. Fully diluted earnings per share improved almost nine-fold to 23 cents per share from 3 cents per share in 1999. Cash flow as a percentage of revenue increased to 22.8 percent from 16.6 percent in 1999. The anticipated market strength and capital expenditure plans for 2001 are expected to return EBITDA and cash flow as a percentage of revenue to historic levels.

General and administrative, interest and depreciation expenses increased to $14.0 million (17.9 percent of revenue) compared to $13.5 million (23 percent of revenue) in 1999. This increase in expenses relates mainly to incentive payments. The reduction in interest expense resulted from the October 1999 equity issue which reduced debt levels. The increase in depreciation reflects the increased activity levels and higher asset base.

Results of Operations

Percentage of Revenue

	2000
Operating expenses	69.2
General and administration	2.5
Interest	4.8
Depreciation	10.5
Operating Income	12.9
Net earnings	9.8
EBITDA	28.2

In 2000, the Company continued to defer current taxes as a result of utilizing capital cost allowance in excess of book depreciation. The current income tax expense for 2000 and 1999 reflects the large corporation and provincial capital taxes. The Company has adopted the new accounting recommendation of the Canadian Institute of Chartered Accountants. Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The standard has been adopted retroactively, and the Company has elected not to restate prior year's consolidated financial statements.

The cumulative effect of initial adoption of the new standard was to increase future tax liability by $1,200 and to reduce retained earnings by the same amount. The effect of substantially enacted tax rate changes reduced the 2000 tax provision by $2.3 million, or 6.5 cents per share on a fully diluted basis. As a result of claiming maximum capital cost allowances, the Company has created tax carry forward losses of $24.5 million. Therefore, the Company does not anticipate being fully cash taxable for at least three years.

Capital expenditures

In 2000, the Company continued to focus on maximizing returns from existing operations, preserving cash, and managing its balance sheet. Net capital expenditures increased to $14.0 million compared to $0.3 million in 1999, with 89 percent of the expenditures incurred in the second half. During 2000, $5.3 million was spent on sustenance capital to maintain facilities and revenues, and $8.7 million was spent on growth and productivity. Sustenance capital requirements for 2001 are estimated at $9.0 million and should average $6.0 to $8.0 million thereafter. Growth and productivity capital for 2001 are currently estimated at $13.0 million, depending on cash flow.

Liquidity

The Company entered 2000 with its term loan fully drawn at $54.5 million, operating line of credit at $2.6 million (limit $7.5 million) and working capital of $4.4 million. At year-end 2000, total long-term debt was $51.7 million, the operating line was unutilized, and working capital, excluding the current portion of long-term debt, was $9.6 million. The improved performance in 2000 reduced the long-term debt/EBITDA multiple to 2.3 from 3.7 in 1999. This multiple is anticipated to decline to approximately 1.6 by year-end and would be further reduced

1999	1998	1997	1996	1995	1994	1993
73.3	73.8	62.7	63.2	62.2	64.2	65.2
1.9	2.0	2.9	2.5	3.1	4.3	5.8
7.5	6.9	1.8	2.6	3.9	2.2	1.6
13.7	11.3	10.0	10.3	10.2	8.9	10.5
3.7	6.0	22.7	21.4	20.6	20.4	16.9
1.3	2.7	13.4	12.9	12.6	15.2	10.4
24.8	24.2	34.4	34.3	34.7	34.1	28.9

if the two million share purchase warrants, which expire in October 2001, are exercised to generate net proceeds of $9.5 million. In accordance with the terms of the credit facility, no principal payments are required when the multiple is below 3.0. Management estimates that operating cash flows in 2001 are sufficient to fund the anticipated capital investment program and the normal course issuer bid.

During 2000, cash flow from operations was $17.9 million. Capital expenditures and site restoration, net of proceeds from asset sales, was $14.2 million, which resulted in free cash flow from operations of $3.7 million. With the options exercised and total net cash generated of $4.0 million, $3.0 million was utilized to pay down long-term debt with the balance added to working capital.

Information technology

The e-Business marketplace, especially the business-to-business (B2B) portion, is expected to grow at a staggering rate over the next few years. The B2B market is poised to enable integration of supply chains among buyers and sellers and will re-define the competitive landscape. The Company is in the process of developing a long-term strategy that will connect and leverage the opportunities of an e-Business environment. The strategy will focus on improving revenue, reducing the operating cost structure and enhancing customer service.

Risks and uncertainties

This annual report contains forward looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. There are a number of factors that could cause actual results to differ materially from those indicated. The majority of the Company's business is directly affected by the level of activity in the oil and gas industry which in turn, is directly affected by world energy prices. Fluctuations in commodity prices also affects the value of the products the Company recovers and resells, which in 2000 accounted for 22 percent of total revenue. The Company's business is also affected by government legislation and regulation and by competition which varies by locality and by type of service rendered.

Outlook

By year-end 2000, the Company's operations were demonstrating full recovery. All four service sectors have strong product pricing, commanding market positions and distinct competitive advantages.

Revenue in 2000, while improving 33 percent over 1999, did not realize its potential. In 2001, improved weather conditions should result in increased demand for Conventional Oilfield services. Capital investments in Heavy Oilfield are expected to improve revenue and margins. The substantial pricing improvements in Oil Recycling products entering 2001 should drive revenue and margins. Continued organic growth in Industrial combined with service expansion are also expected to generate improved revenue and margins.

In 2001, the Company will continue to focus on maximizing returns from the existing businesses. During the year, management anticipates all operations reaching near peak sustainable performance. Business development activities will focus on the identification and evaluation of non-commodity sensitive opportunities in Industrial, primarily in eastern Canada. No major acquisitions are currently anticipated in 2001.

Management's and auditors' report

Management is responsible for the preparation of the consolidated financial statements in accordance with generally accepted accounting principles and for the consistency therewith of all other financial and operating data presented in this annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial and management information.

External auditors appointed by the shareholders have examined the consolidated financials statements. The Audit Committee, consisting of three non-management directors, has reviewed these statements with management and the auditors and has reported to the Board of Directors. The Board has approved the consolidated financial statements.

Ron Sifton

RONALD L. SIFTON > Senior Vice President, Finance and Chief Financial Officer
Calgary, Alberta March 26, 2001

To the Shareholders of Newalta Corporation:

We have audited the consolidated balance sheets of Newalta Corporation as at December 31, 2000 and 1999 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP > Chartered Accountants
Calgary, Alberta February 2, 2001

financial statements

Consolidated balance sheets

As at December 31, ($000s)	**2000**	1999
ASSETS		
Current assets		
Cash	891	–
Accounts receivable	15,696	12,797
Inventory	3,046	3,521
Future income tax *(Note 6)*	1,179	–
	20,812	16,318
Capital assets *(Note 2)*	149,824	143,070
Goodwill *(Note 3)*	10,402	10,944
	181,038	170,332
LIABILITIES		
Current liabilities		
Bank indebtedness	–	2,604
Accounts payable	11,190	6,244
Current portion of long-term debt *(Note 4)*	60	3,060
	11,250	11,908
Long-term debt *(Note 4)*	51,620	51,680
Future income taxes *(Note 6)*	22,088	17,779
Site restoration	1,865	1,560
	86,823	82,927
SHAREHOLDERS' EQUITY		
Share capital *(Note 5)*	59,216	58,920
Retained earnings	34,999	28,485
	94,215	87,405
	181,038	170,332

Approved by the Board

Alan Cadotte Ron Sifton

ALAN P. CADOTTE > Director **RONALD L. SIFTON > Director**

Consolidated statements of operations and retained earnings

For the Years Ended December 31, ($000s)	**2000**	1999
Revenue	78,421	58,784
Expenses		
Operating	54,314	43,069
General and administrative	1,997	1,115
Interest *(Note 4)*	3,753	4,393
Depreciation and amortization	8,254	8,048
	68,318	56,625
Operating income	10,103	2,159
Provisions for income taxes *(Note 6)*		
Current	455	450
Future	1,930	936
Net earnings	7,718	773
Retained earnings, beginning of year	28,485	27,712
Reduction from implementation of accounting standards *(Notes 1 and 6)*	(1,200)	–
Reduction from share buy back *(Note 5)*	(4)	–
Retained earnings, end of year	34,999	28,485
Earnings per share *(cents)*	23.6	2.6
Fully diluted earnings per share *(cents)*	22.7	2.6

Consolidated statements of cash flows

For the Years Ended December 31, ($000s)	**2000**	1999
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Net earnings	7,718	773
Items not requiring cash		
Depreciation and amortization	8,254	8,048
Future income taxes	1,930	936
Cash flow from operations	17,902	9,757
Decrease (increase) in operating net assets	2,521	(5,696)
	20,423	4,061
INVESTING		
Additions to capital assets	(14,124)	(3,171)
Net proceeds on sale of capital assets	85	2,875
Site restoration	(121)	(215)
	(14,160)	(511)
FINANCING		
Issuance of common shares	307	15,425
Repurchase of common shares (Note 5)	(15)	–
Decrease in long-term debt	(3,060)	(17,060)
	(2,768)	(1,635)
Net cash inflow	3,495	1,915
Bank indebtedness, beginning of year	(2,604)	(4,519)
Cash (bank indebtedness), end of year	891	(2,604)

Notes to the consolidated financial statements

For the Years Ended December 31, 2000 and 1999 ($000s)

1 > SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary companies, have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Inventory

Inventory is comprised of oil, recycled products, spare parts and supplies, and is recorded at the lower of cost and net realizable value.

Financial Instruments

The carrying values of accounts receivable and accounts payable approximate the fair value of these financial instruments due to the short term maturity of these instruments. The Company's credit risk from customers is minimized by its broad customer base and diverse product lines.

Capital Assets

Capital assets are stated at cost. Depreciation is provided at various rates from 5% to 20% designed to amortize the costs, net of salvage value, over their estimated useful lives.

Goodwill

Goodwill is amortized on a straight-line basis over 20 years. The net carrying value of goodwill would be written down if the value were permanently impaired. The Company assesses impairment by determining whether the unamortized goodwill balance can be recovered through estimated undiscounted operating cash flows of the acquired operations over their remaining life.

Site Restoration

The Company provides for estimated future site restoration costs for all its facilities based on a 20-year useful life. The provision for site restoration has been included in depreciation and amortization. Costs are estimated each year by management, in consultation with the Company's engineers, on the basis of current regulations, costs, technology and industry standards. Site restoration costs are charged against the provision as incurred.

Stock-Based Compensation Plan

The Company has a stock-based compensation plan, which is described in Note 5. No compensation expense is recognized for the plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. If stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings.

Cash and Cash Equivalents

Cash is defined as cash and short-term deposits with maturities of three months or less.

Future Income Taxes

The Company follows the liability method of tax allocation. Future income tax assets and liabilities are measured based upon temporary differences between the carrying values of assets and liabilities and their tax basis. Income tax expense (recovery) is computed based on the change during the year in the future tax assets and liabilities. Effects of changes in tax laws and tax rates are recognized when substantially enacted.

2 > CAPITAL ASSETS

	2000			1999		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Plant and equipment	184,265	39,260	145,005	170,398	32,078	138,320
Land	4,819	–	4,819	4,750	–	4,750
	189,084	39,260	149,824	175,148	32,078	143,070

3 > GOODWILL

	2000	1999
Cost	12,878	12,878
Accumulated amortization	2,476	1,934
	10,402	10,944

4 > LONG-TERM DEBT

	2000	1999
Revolving reducing term facility	51,500	54,500
Other	180	240
	51,680	54,740
Less current portion	60	3,060
	51,620	51,680

The Company has a credit facility comprised of two segments:

(a) $51,500: Revolving reducing term bearing interest at prime plus 1/4% per annum or at bankers' acceptance rate plus 1 1/4% per annum at the Company's option.

(b) $ 7,500: Demand revolving, bearing interest at prime per annum or at bankers' acceptance rate plus 1% per annum at the Company's option.

Segment (a) will reduce $1,000 per month if the multiple of long-term debt divided by the 12 month trailing earnings before interest, taxes, depreciation and amortization (EBITDA) exceeds 3.0. The multiple is calculated quarterly. At December 31, 2000, the EBITDA multiple was 2.3. It is management's estimate that, based on current financial performance, the EBITDA multiple will remain below 3.0 during 2001.

The credit facility is secured principally by a general security agreement over the Company's assets. Interest paid during the year amounted to $3,753 (1999 – $4,393) of which $3,571 (1999 – $4,137) related to long-term debt. When the EBITDA multiple is below 2.0:1, the interest rate reduces by 1/4% on Section (a) and by 1/8% on bank loans relating to Section (b). Other long-term debt is a non-interest bearing unsecured loan with annual principal payments of $60.

The fair value of the debt was not materially different from the carried value.

5 > SHARE CAPITAL

	Shares	Amount ($)
(a) Authorized (000s)		
Unlimited number of senior and junior preferred shares and common shares without nominal or par value		
Common Shares Issued		
As at December 31, 1998	28,231	43,495
Issued for public offering, net	4,000	14,822
Issued for stock options exercised	359	603
As at December 31, 1999	32,590	58,920
Issued for stock options exercised	214	307
Normal course issuer bid	(6)	(11)
As at December 31, 2000	32,798	59,216

(b) Common Share Purchase Warrants

On October 6, 1999, the Company issued 2 million common share purchase warrants. Each warrant entitles the holder thereof to purchase one common share on or before October 4, 2001 at a price of $4.75 per share. At December 31, 2000, no warrants had been exercised and no value had been attributed to the warrants in these consolidated financial statements.

(c) Stock Option Plans

Under the stock option plan, the Company may grant options to its management, directors and employees for up to 2.65 million common shares. The exercise price of each option equals or exceeds the market price of the Company's common shares on the date of grant and an option's maximum term is five years. Options vest 20% on the date of grant and 20% annually thereafter.

	Options (000s)	Weighted Average Exercise Price ($)
As at December 31, 1998	2,388	4.00
Granted	475	3.35
Exercised	360	1.68
Forfeited	–	–
As at December 31, 1999	2,503	4.21
Granted	–	–
Exercised	214	1.43
Forfeited	–	–
As at December 31, 2000	2,289	4.47
Exercisable at December 31, 2000	1,572	4.50

Range of Exercise Prices(s)	Options Outstanding December 31, 2000 (000s)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($)	Options Exercisable December 31, 2000 (000s)	Weighted Average Exercise Price ($)
0.65	35	.4	0.65	35	0.65
1.70 to 2.05	50	3.2	2.05	20	2.05
2.95 to 3.50	1,397	2.4	3.23	954	3.21
6.35 to 8.40	807	1.8	6.93	563	7.02
	2,289	1.9	4.46	1,572	4.50

(d) Share Repurchase

On December 19, 2000, the Company announced its intention to make a normal course issuer bid for up to 5% of the outstanding common shares. During December the Company purchased 5,900 common shares, and allocated $11 to share capital, and $4 to retained earnings. From January 1 to February 2, 2001, the Company purchased 783,400 common shares for a total cost of $2,166.

6 > INCOME TAXES

The Company has adopted the new accounting recommendation of the Canadian Institute of Chartered Accountants, "Income Taxes". Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. The standard has been adopted retroactively, and the Company has elected not to restate prior year's consolidated financial statements. The cumulative effect of initial adoption of the new standard was to increase the future tax liability by $1,200 and to reduce retained earnings by the same amount. The impact of these recommendations on the 2000 financial results was to decrease income tax expense and increase earnings by $2,250.

The provision for income taxes differs from the amounts that would have resulted had the combined Federal and Provincial statutory tax rates been applied to the earnings for the year as follows:

	2000	1999
Computed income tax expense at the combined rate of 41%	4,140	885
Increase (decrease) due to:		
Capital taxes	455	450
Other	382	190
Deductible share issue costs	(342)	(139)
Effect of substantially enacted tax rate change	(2,250)	–
	2,385	1,386

As a result of claiming maximum capital cost allowances, the Company has income tax losses available to be carried forward of $24,495. These losses expire at various times up to 2005. The future income tax benefit of these losses has been recognized in the financial statements.

The major components of the future income taxes liability at December 31, 2000 using a combined Federal and Provincial rate are as follows:

Future tax liability	30,555
Future tax assets	(9,646)
Current portion of future tax assets	1,179
	22,088

Taxes paid during the year totalled $431 (1999 – $460).

7 > COMMITMENTS

(a) Lease Commitments

The Company has annual commitments for leased premises in the amount of $650.

(b) Letters of Guarantee

As of December 31, 2000, the Company had issued Letters of Guarantee in respect of compliance with environmental licenses in the amount of $707.

8 > SEGMENTED INFORMATION

The Company has two reportable segments.

The Operations segment recovers and resells crude oil from oilfield wastes, and collects waste lubricating oil in Alberta and Saskatchewan which is processed into resaleable products.

The Industrial segment collects automotive and industrial wastes in western Canada, which are processed into resaleable products. The Industrial segment also collects waste lubricating oil in British Columbia.

No single customer accounts for more than 10% of revenue in either segment.

2000	Operations	Industrial	Inter-segment	Corporate	Consolidated Total
External revenue	62,001	16,420			78,421
Inter-segment revenue	1,779	185	(1,964)		–
Operating expenses	33,122	12,279	(1,964)		43,437
Indirect operating expenses	8,860	2,017			10,877
Depreciation	7,037	1,217			8,254
Net margin	14,761	1,092			15,853
General and administrative				1,997	1,997
Interest				3,753	3,753
Operating income	14,761	1,092		(5,750)	10,103
Capital expenditures	12,336	497		1,291	14,124
Total assets	148,522	27,855		4,661	181,038

1999	Operations	Industrial	Inter-segment	Corporate	Consolidated Total
External revenue	44,563	14,221			58,784
Inter-segment revenue	996	55	(1,051)		–
Operating expenses	26,630	9,814	(1,051)		35,393
Indirect operating expenses	5,793	1,883			7,676
Depreciation	6,675	1,373			8,048
Net margin	6,461	1,206			7,667
General and administrative				1,115	1,115
Interest				4,393	4,393
Operating income	6,461	1,206		(5,508)	2,159
Capital expenditures	2,491	220		460	3,171
Total assets	139,890	28,558		1,884	170,322

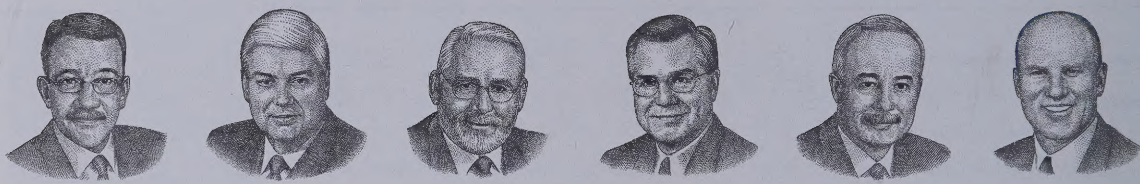
Notes: Inter-segment revenues are recorded at market, less the costs of serving external customers. Management does not allocate general and administrative, taxes, and interest costs in the segment analysis.

quarterly information

2000 *($000s except per share data)*	Q1	Q2	Q3	Q4	TOTAL
REVENUE					
Conventional Oilfield services	9,841	6,252	8,492	9,379	33,964
Heavy Oilfield services	3,158	4,449	4,664	5,245	17,516
Oil Recyling services	2,249	2,368	3,005	2,899	10,521
Industrial services	3,447	4,102	4,510	4,361	16,420
	18,695	17,171	20,671	21,884	78,421
EXPENSES					
Operating	12,354	11,972	14,224	15,764	54,314
General and administrative	433	356	578	630	1,997
Interest	940	950	941	922	3,753
Depreciation	2,034	2,046	2,085	2,089	8,254
Operating income	2,934	1,847	2,843	2,479	10,103
Income taxes	1,327	880	1,289	(1,111)	2,385
Earnings	1,607	967	1,554	3,590	7,718
Earnings per share *(cents)*	4.9	3.0	4.7	11.0	23.6
EBITDA	5,908	4,843	5,869	5,490	22,110

1999					
REVENUE					
Conventional Oilfield services	7,815	4,365	5,825	7,135	25,140
Heavy Oilfield services	1,988	2,509	2,487	3,450	10,434
Oil Recyling services	1,750	2,109	2,671	2,459	8,989
Industrial services	2,820	3,992	3,806	3,603	14,221
	14,373	12,975	14,789	16,647	58,784
EXPENSES					
Operating	9,782	10,116	11,308	11,863	43,069
General and administrative	254	304	287	270	1,115
Interest	1,192	1,140	1,096	965	4,393
Depreciation	1,944	2,000	2,072	2,032	8,048
Operating income (loss)	1,201	(585)	26	1,517	2,159
Income taxes	606	(304)	234	850	1,386
Earnings (loss)	595	(281)	(208)	667	773
Earnings (loss) per share *(cents)*	2.1	(1.0)	(0.7)	2.2	2.6
EBITDA	4,337	2,555	3,194	4,514	14,600

management group



from left to right

ALAN P. CADOTTE > President and Chief Executive Officer

RONALD L. SIFTON > Senior Vice President, Finance and Chief Financial Officer

JOHN W. KNOECK > Vice President, Oilfield

PETER A. DUGANDZIC > Vice President, Environment and Technology

J. CRAIG WILKIE > Vice President, Industrial

ALAN P. SWANSON > Vice President, Business Development

corporate information

Directors

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Chairman of the Board
President
Paramount Resources Ltd.
Calgary, Alberta

Alan P. Cadotte
President and Chief Executive Officer
Newalta Corporation
Calgary, Alberta

Ronald L. Sifton
Senior Vice President, Finance and Chief Financial Officer
Newalta Corporation
Calgary, Alberta

John W. Knoeck
Vice President, Oilfield
Newalta Corporation
Calgary, Alberta

Felix Pardo (3)
Chairman
Dyckerhoff Inc.
Boston, Massachusetts

Richard H. Pinder (1)(2)
President
Ricly Holdings Inc.
Calgary, Alberta

R. Vance Milligan (1)(3)(4)
Partner
Bennett Jones LLP
Calgary, Alberta

Jack G. Williams (1)(2)
President
Adeco Exploration Company Ltd.
Calgary, Alberta

(1) *Audit Committee*
(2) *Compensation Committee*
(3) *Corporate Governance Committee*
(4) *Corporate Secretary*

Officers

Alan P. Cadotte
President and Chief Executive Officer

Ronald L. Sifton
Senior Vice President, Finance and Chief Financial Officer

John W. Knoeck
Vice President, Oilfield

Peter A. Dugandzic
Vice President, Environment and Technology

J. Craig Wilkie
Vice President, Industrial

Alan P. Swanson
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Symbol NAL

Transfer Agent and Registrar

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The Annual General and Special Meeting will be held on Thursday, May 24, 2001 at 3:00 p.m. at the Calgary Petroleum Club, Devonian Room, 319 Fifth Avenue SW, Calgary, Alberta.

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